



BERLIN TOWNSHIP
St. Clair County, Michigan
AUDITED FINANCIAL STATEMENTS
For The Year Ended March 31, 2005

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968 as amended. Filing is mandatory.

Local Government Type		Local Government Name		County
City <input checked="" type="checkbox"/>	Township <input checked="" type="checkbox"/>	Village <input type="checkbox"/>	Other <input type="checkbox"/>	St Clair
Audit Date	3/31/2005	Opinion Date	5/05/2005	Date Accountant Report Submitted to State
				8/19/05

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements of Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have compiled with the Bulletin for the Audits of Local Units of Government in Michigan as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this units unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

Enclosed	To Be Forwarded	Not Required
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The letter of comments and recommendations.

X

Reports on individual federal financial assistance programs (program audits).

X
X

Single Audit Reports (ASLGU).

Certified Public Accountant (Firm Name)

McBride, Manley & Miller PC

Street Address

1115 S Parker

City

Marine City

State

MI

Zip

48039

Accountant Signature

John E. McBride CPA

BERLIN TOWNSHIP

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McBride, Manley
& Müller P.C.

BERLIN TOWNSHIP

Management's Discussion and Analysis

March 31, 2005

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net assets increased 4.34% from a year ago, from \$1,199,000 to \$1,251,000. As we look at the governmental activities, we can see that the governmental activities experienced an increase of approximately \$52,000 during the year (4.34% increase). This was the result of increases in General Fund Net Assets and Fire Fund Net Assets. In a condensed format, the table below shows a comparison of the net assets (in thousands of dollars) as of the current date to the prior year:

	Governmental Activities	
	3/31/04	3/31/05
Current Assets	\$ 724	\$ 795
Noncurrent Assets	<u>737</u>	<u>686</u>
Total Assets	<u>1,461</u>	<u>1,481</u>
Long-Term Debt Outstanding	196	182
Other Liabilities	<u>66</u>	<u>48</u>
Total Liabilities	<u>262</u>	<u>230</u>
Net Assets		
Invested in Capital Assets-Net of Debt	528	490
Unrestricted	<u>671</u>	<u>761</u>
Total Net Assets	<u>\$1,199</u>	<u>\$1,251</u>

Unrestricted net assets--the part of net assets that can be used to finance day to day operations, increased by \$90,000 for the governmental activities. This represents an increase of approximately 13.4%. The current level of unrestricted net assets for our governmental activities stands at \$761,000, or about 135.2% of expenditures. This is within the targeted range set by the Township during its last budget process.

BERLIN TOWNSHIP

Management's Discussion and Analysis

March 31, 2005

The following table shows the changes of the net assets (in thousands of dollars) as of the current date to the prior year:

	<u>Governmental Activities</u>
Program Revenues:	
Charges for Services	\$ 103
Operating Grants and Contributions	18
Capital Grants and Contributions	22
General Revenues:	
Property Taxes	246
State-Shared Revenues	211
Unrestricted Investment Earnings	12
Other	<u>3</u>
Total Revenues	<u>615</u>
Program Expenses:	
Legislative	4
General Government	143
Cemetery Operations	32
Public Safety	223
Public Works	14
Roads and Lighting	73
Recreation and Culture	29
Other	31
Debt service interest	<u>14</u>
Total Expenses	<u>563</u>
Change in Net Assets	<u>\$ 52</u>

Berlin Township adopted GASB 34 at March 31, 2005, therefore, prior period data is not available for comparison.

The Township's net assets continue to remain healthy. Net assets grew by \$52,000. This was primarily because of increases in Net Assets of the General Fund.

Governmental Activities

Since this is the first year that the Township's financial data has been determined under GASB 34, comparisons to previous periods are not available. Comparisons will be provided in future years.

BERLIN TOWNSHIP

Management's Discussion and Analysis

March 31, 2005

The Township's Funds

Our analysis of the Township's major funds begins on page 5, following the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds include the General Fund, the Fire Fund, the Future Cemetery Fund, and the Cemetery Perpetual Care Fund.

The General Fund pays for most of the Township's governmental services. The most significant are cemetery operations, public safety, roads and lighting, and cultural and recreational. These areas represent approximately 47% of the General Fund's total expenditures.

General Fund Budgetary Highlights

Over the course of the year, the Township amended the budget to take into account events during the year. There were no significant changes during the year. The Township's departments overall stayed within the budget, resulting in total expenditures \$72,107 below the budget. This allowed the General Fund's fund balance to increase from \$611,210 a year ago to \$669,142 at March 31, 2005.

Capital Asset and Debt Administration

At the end of March 31, 2005, the Township had \$686,210 invested in a broad range of capital assets, including buildings and fire equipment. The Township has no infrastructure investment prior to March 31, 2005. If the Township invests in significant infrastructure after April 1, 2005, the investment will be reported on the financial statements.

Economic Factors and Next Year's Budgets and Rates

The Township's budget for the year ending March 31, 2006, calls for no change in property tax rates. Because of the impact of Proposal A, however, the Township needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value on any individual property to the lesser of inflation or 5%. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Township will grow less than by inflation, before considering new property additions.

Berlin Township is concerned about State Revenue Sharing Funds due to the State of Michigan's budget problems. A reduction in the amount of revenues received from the State may result in the Township experiencing difficulties maintaining the current fund balance.

BERLIN TOWNSHIP

Management's Discussion and Analysis

March 31, 2005

Contacting the Township Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Supervisor's office.



**McBride, Manley
& Miiller P.C.**

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

May 5, 2005

Township Board
Berlin Township
13892 Hough Road
Allenton, Michigan 48002

Honorable Members:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Berlin Township, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Berlin Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion Analysis - for State and Local Governments*, as of March 31, 2005.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Berlin Township, as of March 31, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages i through iv are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Berlin Township's basic financial statements. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

McBRIDE, MANLEY & MILLER P.C.
Certified Public Accountants

BERLIN TOWNSHIP**STATEMENT OF NET ASSETS**

March 31, 2005

	Governmental Activities
ASSETS	
Current Assets	
Cash - checking and on hand	\$ 450,666
- savings and cash equivalent investments	334,261
Taxes receivable (net of allowance of \$1,919)	--
Prepaid insurance	10,142
<i>Total Current Assets</i>	<u>795,069</u>
Other Assets	
Capital assets, net of accumulated depreciation	686,210
TOTAL ASSETS	<u>\$ 1,481,279</u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 13,293
Accrued wages	20,416
Accrued interest payable	797
Current portion of long-term obligations	13,789
<i>Total Current Liabilities</i>	<u>48,295</u>
Noncurrent Liabilities	
Long-term obligations net of current portion	182,150
TOTAL LIABILITIES	<u>\$ 230,445</u>
NET ASSETS	
Investment in capital assets, net of related debt	\$ 490,271
Unrestricted	760,563
TOTAL NET ASSETS	<u>\$ 1,250,834</u>

See accompanying notes.



BERLIN TOWNSHIP

STATEMENT OF ACTIVITIES

For the year ended March 31, 2005

	Program Revenues				Net (Expense) Revenue
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT:					
<i>Governmental Activities:</i>					
Legislative					
General government	\$ 3,750	\$ --	\$ --	\$ --	(3,750)
Cemetery operations	143,246	71,869	--	--	(71,377)
Public safety	32,026	20,545	--	--	(11,481)
Public works	222,819	1,000	4,247	22,077	(195,495)
Roads and lighting	14,318	--	--	--	(14,318)
Cultural and recreational	73,558	3,500	--	--	(70,058)
Other	28,910	6,754	13,720	--	(8,436)
Debt service interest	30,824	--	--	--	(30,824)
	13,626	--	--	--	(13,626)
TOTAL PRIMARY GOVERNMENT	\$ 563,077	\$ 103,668	\$ 17,967	\$ 22,077	\$ (419,365)

GENERAL PURPOSE REVENUES:

Property taxes	246,086
State shared revenues	210,798
Investment earnings	11,765
Other	2,714
TOTAL GENERAL PURPOSE REVENUES	471,363

CHANGE IN NET ASSETS

NET ASSETS AT APRIL 1, 2004

NET ASSETS AT MARCH 31, 2005

	51,998
	1,198,836
	\$ 1,250,834

See accompanying notes.



BERLIN TOWNSHIP**BALANCE SHEET -
GOVERNMENTAL FUNDS**

March 31, 2005

	General	Fire Fund	Future Cemetery Fund	Cemetery Perpetual Care Fund	Total Governmental Funds
ASSETS					
Cash - checking and on hand	\$ 304,225	\$ 143,699	\$ 2,742	\$ --	\$ 450,666
- savings and cash equivalent investments	315,314	12,004	--	6,943	334,261
Property taxes and other receivables	1,279	640	--	--	1,919
Due from other funds	67,554	--	--	--	67,554
TOTAL ASSETS	\$ 688,372	\$ 156,343	\$ 2,742	\$ 6,943	\$ 854,400
LIABILITIES					
Accounts payable	\$ 10,445	\$ 2,848	\$ --	\$ --	\$ 13,293
Due to other funds	--	67,554	--	--	67,554
Accrued wages	7,506	12,910	--	--	20,416
Deferred revenue	1,279	640	--	--	1,919
TOTAL LIABILITIES	19,230	83,952	--	--	103,182
FUND EQUITY					
Reserved	67,554	2,695	--	6,943	77,192
Unreserved, undesignated	601,588	69,696	2,742	--	674,026
TOTAL FUND EQUITY	669,142	72,391	2,742	6,943	751,218
TOTAL LIABILITIES AND FUND EQUITY	\$ 688,372	\$ 156,343	\$ 2,742	\$ 6,943	\$ 854,400

See accompanying notes.



BERLIN TOWNSHIP

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS**

March 31, 2005

Total Fund Balance - Governmental Funds		\$	751,218
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.			
Cost of capital assets		\$	1,590,214
Less: accumulated depreciation			(904,004)
Net Capital Assets			686,210
Prepaid expenses are not recorded in the governmental funds.			10,142
Long-term liabilities, including loans payable, are not due in the current period and therefore are not reported as liabilities in the governmental funds.			
Loans payable		\$	195,939
Accrued interest on loans			797
Total Long-Term Liabilities			(196,736)
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES		\$	<u>1,250,834</u>

See accompanying notes.



BERLIN TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the year ended March 31, 2005

	General	Fire Fund	Future Cemetery Fund	Cemetery Perpetual Care Fund	Total Governmental Funds
Revenues:					
Tax collections	\$ 82,088	\$ 163,998	\$ --	\$ --	\$ 246,086
Distributions from State of Michigan	210,798	--	--	--	210,798
Licenses, permits, fines, and fees	48,470	--	--	--	48,470
Interest earned and penalties earned	10,804	782	--	179	11,765
Fire runs	--	1,000	--	--	1,000
Cemetery	20,545	--	--	--	20,545
Street lighting and other special assessments	3,500	--	--	--	3,500
Cultural and recreation	18,225	--	--	--	18,225
Grant proceeds	--	20,712	--	--	20,712
Contributions	2,249	1,365	--	--	3,614
Miscellaneous revenue	27,216	3,143	--	--	30,359
TOTAL REVENUES	423,895	191,000	--	179	615,074
Other Financing Sources:					
Transfers from other funds	--	--	179	--	179
TOTAL REVENUES AND OTHER FINANCING SOURCES	423,895	191,000	179	179	615,253
Expenditures:					
Legislative	3,750	--	--	--	3,750
General government	144,862	--	--	--	144,862
Cemetery operations	31,007	--	--	--	31,007
Public safety	35,563	131,683	--	--	167,246
Public works	14,318	--	--	--	14,318
Roads and lighting	73,558	--	--	--	73,558
Cultural and recreational	32,081	--	--	--	32,081
Other	30,824	--	1,019	--	31,843
Debt service - principal	--	13,214	--	--	13,214
- interest	--	13,680	--	--	13,680
TOTAL EXPENDITURES	365,963	158,577	1,019	--	525,559
Other Financing Uses:					
Transfers to other funds	--	--	--	179	179
TOTAL EXPENDITURES AND OTHER FINANCING USES	365,963	158,577	1,019	179	525,738
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	57,932	32,423	(840)	--	89,515
Fund Balance at April 1, 2004	611,210	39,968	3,582	6,943	661,703
FUND BALANCE AT MARCH 31, 2005	\$ 669,142	\$ 72,391	\$ 2,742	\$ 6,943	\$ 751,218

See accompanying notes.



BERLIN TOWNSHIP

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES WITH THE STATEMENT OF ACTIVITIES

March 31, 2005

Total Net Change in Fund Balances - Governmental Funds		\$ 89,515
<p>Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, for government activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of net activities. Proceeds from the sale of capital assets are reported as revenue in the governmental funds. For government activities, these proceeds are reduced by the net book value of disposed assets to provide the gain or loss on sale of such assets in the statement of net activities.</p>		
Capital outlay	\$	35,322
Less: depreciation		<u>(86,437)</u>
		(51,115)
<p>Prepaid expenses are not recorded in the governmental funds.</p>		
		329
<p>Repayment of loan principal is an expenditure, and loan proceeds are revenue in the governmental funds. Proceeds increase and repayments decrease liabilities in the statement of net assets and do not affect the statement of activities.</p>		
Loan principal payments		13,214
<p>Interest expenditures are recorded when financial resources are used in the governmental funds. Interest expense is recognized as the interest accrues regardless of when it is due in the statement of activities.</p>		
		55
<i>Change in Net Assets of Governmental Activities</i>		<i>\$ <u>51,998</u></i>

See accompanying notes.



BERLIN TOWNSHIP**STATEMENT OF FIDUCIARY NET ASSETS**

March 31, 2005

	Tax Collection Fund	Surety Bond Fund
ASSETS		
Cash and cash equivalents	\$ 1,501	\$ 60,927
Personal property taxes receivable	30,097	--
TOTAL ASSETS	\$ 31,598	\$ 60,927
LIABILITIES		
Due to other governmental units and residents	\$ 28,178	\$ 60,900
Due to other funds	3,420	27
TOTAL LIABILITIES	\$ 31,598	\$ 60,927

See accompanying notes.



BERLIN TOWNSHIP

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL

For the year ended March 31, 2005

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Favorable (Unfavorable) Final to Actual
Revenues:				
Tax collections	\$ 65,000	\$ 65,000	\$ 82,088	\$ 17,088
Distributions from State of Michigan	210,000	210,000	210,798	798
Licenses, permits, fines, and fees	57,500	57,500	48,470	(9,030)
Interest and penalties earned	3,000	3,000	10,804	7,804
Cemetery	36,000	36,000	20,545	(15,455)
Street lighting and special assessments	4,000	4,000	3,500	(500)
Cultural and recreational	16,920	16,920	18,225	1,305
Contributions	2,500	2,500	2,249	(251)
Miscellaneous revenue	42,150	43,150	27,216	(15,934)
TOTAL REVENUES	437,070	438,070	423,895	(14,175)
Expenditures:				
Legislative	4,400	4,400	3,750	650
General government	159,235	159,235	144,862	14,373
Cemetery operations	40,500	40,500	31,007	9,493
Public safety	42,865	43,865	35,563	8,302
Public works	16,000	16,000	14,318	1,682
Roads and lighting	100,500	100,500	73,558	26,942
Cultural and recreational	39,820	39,820	32,081	7,739
Other	33,750	33,750	30,824	2,926
TOTAL EXPENDITURES	437,070	438,070	365,963	72,107
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	--	--	57,932	57,932
Fund Balance at April 1, 2004	611,210	611,210	611,210	--
FUND BALANCE AT MARCH 31, 2005	\$ 611,210	\$ 611,210	\$ 669,142	\$ 57,932

See accompanying notes.



BERLIN TOWNSHIP

FIRE FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL

For the year ended March 31, 2005

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues:				
Current tax collections	\$ 174,000	\$ 174,000	\$ 163,998	\$ (10,002)
Interest earned	--	--	782	782
Fire runs	--	--	1,000	1,000
Jerry Fetty memorial donations	--	--	1,365	1,365
Grant proceeds	20,712	20,712	20,712	--
Other revenue	5,442	--	3,143	3,143
Total Revenues	200,154	194,712	191,000	(3,712)
Expenditures:				
Salaries	45,340	45,340	55,447	(10,107)
Office expenses	3,050	3,590	1,377	2,213
Education and prevention	8,905	8,685	5,704	2,981
Medical	3,550	2,550	3,949	(1,399)
Vehicle purchase	5,000	5,000	6,100	(1,100)
Maintenance and supplies	14,449	14,449	15,159	(710)
Transportation	70	200	56	144
Printing, publishing, and dues	--	500	150	350
Utilities	8,112	8,112	6,940	1,172
Tax refunds	200	200	--	200
New equipment	10,790	10,790	10,959	(169)
Contractor	100	100	--	100
Runs expense	--	50	--	50
Insurance	21,050	21,050	20,688	362
Payroll tax expense	4,000	4,000	3,951	49
Capital outlay	33,840	33,839	1,203	32,636
Legal expense	100	100	--	100
Contingency	2,751	2,751	--	2,751
Debt principal	38,847	26,792	13,214	13,578
Debt interest	--	12,055	13,680	(1,625)
Total Expenditures	200,154	200,153	158,577	41,576
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	--	(5,441)	32,423	37,864
Fund Balance at April 1, 2004	39,968	36,968	39,968	3,000
FUND BALANCE AT MARCH 31, 2005	\$ 39,968	\$ 31,527	\$ 72,391	\$ 40,864

See accompanying notes.



BERLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF TOWNSHIP OPERATIONS AND FUND TYPES: Berlin Township operates under an elected Supervisor, Clerk, Treasurer and Board of two Trustees and provides services to its residents (approximately 2,400) including fire protection.

REPORTING ENTITY: The financial reporting entity consists solely of Berlin Township. GASB Statement No. 14 states that the financial reporting entity consists of (a) the primary government; (b) organizations for which the primary government is financially accountable; and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria for determining the financial reporting entity are separately elected governing body, legally separate, fiscally independent, ability to appoint voting majority of governing body, ability to impose its will, and potential for benefit or burden. Certain other organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government or its other component units. A legally separate, tax-exempt organization would be reported as a component unit of reporting entity if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

Using this criteria, it has been determined that Berlin Township has no component units.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.



BERLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (Continued)

March 31, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes and other revenues are recognized in the accounting period when they become measurable and available to finance operations. Properties are assessed as of December 31. The related property taxes become a lien on December 1 of the following year and are due February 28. These tax revenues are recognized when levied to the extent that they result in current receivables. All real property taxes levied December 31, 2004, have been recognized as revenue at March 31, 2005.

Revenues earned are susceptible to accrual are considered available and recognized if received within sixty days after the year end.

The government reports the following major governmental funds:

GENERAL FUND - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

FIRE FUND, FUTURE CEMETERY FUND, AND CEMETERY PERPETUAL CARE FUND - These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.



BERLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (Continued)

March 31, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES, AND NET ASSETS

BANK DEPOSITS AND INVESTMENTS: Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

RECEIVABLES AND PAYABLES: In general, outstanding balances between funds are reported as "due to/from other funds." All trade and property tax receivables are shown net of allowance for uncollectible amounts. All property taxes receivable were estimated to be uncollectible.

INVENTORIES AND PREPAID ITEMS: Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide statements, but are expensed in the fund financial statements.

CAPITAL ASSETS: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Assets are depreciated using the straight-line method over the following useful lives:

Equipment	3-12 years
Building and improvements	20-40 years
Vehicles	5 years

COMPENSATED ABSENCES: The Township has no established policy for compensated absences.

LONG-TERM OBLIGATIONS: In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

Delinquent Property Taxes	<u>Unavailable</u> <u>\$1,919</u>	<u>Unearned</u> <u>\$ --</u>
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BERLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (Continued)

March 31, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND EQUITY: In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

It is the policy of the Township to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS: P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets, as amended, of the Township for these budgetary funds were adopted to the departmental level and are shown in the supplemental schedules to this statement. Budget amendments require approval from a majority of the Township Board. Actual expenditures exceeded those budgeted as follows:

Fire Fund

Salaries	\$10,107
Medical	1,399
Vehicle purchase	1,100
New equipment	169
Interest	1,625
Maintenance and supplies	710

NOTE 3: CASH AND INVESTMENTS

Deposits are carried at cost. Deposits are at Michigan banks in the name of Berlin Township. Michigan Act 20 P.A. 1943 allows a township to make various investments with public monies including, but not limited to, the following:

1. Direct bonds and obligations of the U.S., its agencies or instrumentalities
2. Certificates of deposit, savings accounts with banks, savings and loan associations, or credit unions which are insured with the applicable federal agency and located in the State of Michigan
3. Commercial paper - rated within 2 highest rate classifications by at least 2 rating services and matures not later than 270 days
4. U.S. or agency repurchase agreements
5. Mutual funds - investments which local unit can make directly
6. Bankers' acceptances of U.S. banks
7. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service

Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion Number 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The deposits of the Township are in accordance with statutory authority.

Deposits and investments are recorded at cost. The carrying amounts are included on the balance sheet as "Cash and Investments."



BERLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (Continued)

March 31, 2005

NOTE 3: CASH AND INVESTMENTS (Continued)

Risk disclosures for the Township's cash deposits are as follows:

Deposits are reflected on the individual fund balance sheet as follows:

Total government funds	\$783,399
Total fiduciary funds	62,428
Less cash on hand	(50)
Total Deposits	<u>\$845,777</u>

CUSTODIAL CREDIT RISK: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of March 31, 2005, \$579,575 of the government's bank balance of \$846,352 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$579,575</u>
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There was no significant variation of investments or amounts invested throughout the fiscal year.

NOTE 4: FIXED ASSETS

GOVERNMENTAL ACTIVITIES FIXED ASSETS

A summary of changes in governmental fixed assets follows:

	Balance 3/31/04	Additions	Disposals	Balance 3/31/05
General Government:				
Equipment	\$ 460,390	\$ 5,519	\$ --	\$ 465,909
Buildings and improvements	39,945	1,500	--	41,445
Land	35,616	--	--	35,616
Cemetery:				
Equipment	800	--	--	800
Land	102,055	--	--	102,055
Public Safety:				
Equipment	202,945	11,008	--	213,953
Vehicles	315,038	6,100	--	321,138
Buildings and improvements	257,508	--	--	257,508
Cultural and Recreational:				
Equipment	21,033	--	--	21,033
Buildings and improvements	119,562	11,195	--	130,757
	1,554,892	35,322	--	1,590,214
Accumulated Depreciation	817,567	86,437	--	904,004
	<u>\$ 737,325</u>	<u>(\$51,115)</u>	<u>\$ --</u>	<u>\$ 686,210</u>

The above amounts include land with a cost of \$137,671 not subject to depreciation.



BERLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (Continued)

March 31, 2005

NOTE 4: FIXED ASSETS (Continued)

Governmental activity depreciation, included on the Statement of Activities, was allocated as follows:

General Government	\$ 5,278
Cemetery	--
Public Safety	73,135
Cultural and Recreational	<u>8,024</u>
Total	<u>\$86,437</u>

NOTE 5: GENERAL LONG-TERM DEBT

CHANGES IN INDEBTEDNESS

	Payable at March 31, 2004	Increase	Decrease	Payable at March 31, 2005
General obligation:				
Installment loan	<u>\$209,153</u>	\$ --	<u>\$13,214</u>	<u>\$195,939</u>
Total Indebtedness	<u>\$209,153</u>	<u>\$ --</u>	<u>\$13,214</u>	<u>\$195,939</u>

INSTALLMENT LOAN

The Township owes Capac State Bank \$195,939 on an installment agreement for a building addition. This agreement bears interest at 4.95% per annum, is secured by tax revenues, matures March 1, 2016, and is being retired by semi-annual payments of \$11,660.

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS ON INSTALLMENT LOAN

Payable In Fiscal Year Ending March 31	Principal	Interest	Total
2006	\$ 13,789	\$ 9,531	\$ 23,320
2007	14,480	8,840	23,320
2008	15,205	8,115	23,320
2009	15,967	7,353	23,320
2010	16,768	6,552	23,320
2011-2015	97,317	19,285	116,602
2016	<u>22,413</u>	<u>837</u>	<u>23,250</u>
	<u>\$195,939</u>	<u>\$60,513</u>	<u>\$256,452</u>

Principal and interest are due March 1 and September 1.

DEBT MARGIN

Michigan Compiled Law limits indebtedness incurred by townships to 10% of the total state equalized valuation of the township. For the fiscal year 03/04, the state equalized value of Berlin Township was \$140,155,750; therefore, the legal debt margin is \$14,015,575.



BERLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (Continued)

March 31, 2005

NOTE 6: INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds. These receivables and payables are classified as "Due from other funds" or "Due to other funds" on the balance sheet. The amounts of interfund receivables and payables are as follows:

	<u>Interfund Receivable</u>		<u>Interfund Payable</u>
General Fund	<u>\$67,554</u>	Fire Fund	<u>\$67,554</u>
General Fund	\$ 2,780		
Fire Fund	<u>640</u>		
	<u>\$ 3,420</u>	Tax Fund	<u>\$ 3,420</u>
General Fund	<u>\$ 27</u>	Surety Bond Fund	<u>\$ 27</u>

NOTE 7: FUND BALANCE RESERVATIONS

As of March 31, 2005, the General Fund Balance Sheet reflects a non-current receivable from the Fire Fund. Governmental accounting requires fund balances be restricted for all amounts not available to pay current obligations. Therefore, the amount due to the General Fund of \$67,554 is presented as a restriction to fund balance.

The fund balance of the Cemetery Perpetual Care Fund is reserved for the maintenance of the Township Cemetery. The reserved fund balance of the Fire Fund is donations made in the name of Jerry Fetty for the purchase of specialized equipment for the Fire Department.

NOTE 8: INTERFUND TRANSFERS

	<u>Transfers In</u>		<u>Transfers Out</u>
Future Cemetery Fund	<u>\$179</u>	Cemetery Perpetual Care Fund	<u>\$179</u>

NOTE 9: DEFERRED COMPENSATION PLAN

The Township offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years.

The Township has also adopted Resolution 95-1, which states that the Township will contribute 6.2% of gross pay to the deferred compensation plan for all elected officials and employees who work less than 100 hours per year, and who contribute at least 1.3% of their gross pay to the plan. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights are held in trust for the exclusive benefit of participants and their beneficiaries.

It is the opinion of the Township that the Township has no liability for losses under the plan, but does have the duty of care that would be required of an ordinary prudent investor.



BERLIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
(Continued)

March 31, 2005

NOTE 10: RISK FINANCING

Berlin Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent third parties. Settled claims from these risks have not exceeded insurance coverage for the past three years.



SUPPLEMENTAL SCHEDULES



McBride, Manley
& Müller P.C.

BERLIN TOWNSHIP**GENERAL FUND
DETAILS OF REVENUES**

For the year ended March 31, 2005

	Budget	Actual	Variance Favorable (Unfav.)
Tax Collections:			
Current	\$ 65,000	\$ 82,088	\$ 17,088
	<u>65,000</u>	<u>82,088</u>	<u>17,088</u>
Distributions from State of Michigan:			
State Revenue Sharing	210,000	210,798	798
	<u>210,000</u>	<u>210,798</u>	<u>798</u>
Licenses and Permits:			
Licenses	4,000	4,200	200
Permits	53,500	44,270	(9,230)
	<u>57,500</u>	<u>48,470</u>	<u>(9,030)</u>
Other Revenues:			
Interest earned	3,000	10,804	7,804
Cemetery lot sales	16,000	7,745	(8,255)
Grave burials	20,000	12,800	(7,200)
Street lighting and other special assessments	4,000	3,500	(500)
Senior Center rentals	6,000	6,754	754
Parks and recreation	10,920	11,471	551
Park donations	2,500	2,249	(251)
Administration fees	13,000	12,503	(497)
Ditching and culverts	1,000	--	(1,000)
Charges for services	1,500	2,825	1,325
Addressing	650	275	(375)
Refunds	--	2,713	2,713
Other revenue	27,000	8,900	(18,100)
	<u>105,570</u>	<u>82,539</u>	<u>(23,031)</u>
TOTAL REVENUES	\$ <u>438,070</u>	\$ <u>423,895</u>	\$ <u>(14,175)</u>

See accompanying letter.



BERLIN TOWNSHIP**GENERAL FUND
DETAILS OF EXPENDITURES**

For the year ended March 31, 2005

	Budget	Actual	Variance Favorable (Unfav.)
LEGISLATIVE			
<i>Trustees:</i>			
Trustee fees	\$ 4,200	\$ 3,750	\$ 450
Expenses	200	--	200
TOTAL LEGISLATIVE	\$ 4,400	\$ 3,750	\$ 650
GENERAL GOVERNMENT			
<i>Supervisor:</i>			
Salary	\$ 14,000	\$ 14,000	\$ --
Expenses	1,000	1,263	(263)
Deputy Supervisor	3,465	4,964	(1,499)
	<u>18,465</u>	<u>20,227</u>	<u>(1,762)</u>
<i>Elections</i>	<u>4,950</u>	<u>4,553</u>	<u>397</u>
<i>Assessor:</i>			
Contractual	10,500	10,500	--
Expenses	3,600	3,294	306
	<u>14,100</u>	<u>13,794</u>	<u>306</u>
<i>Clerk:</i>			
Salary	14,000	14,000	--
Expenses	1,000	686	314
Deputy Clerk	4,465	4,292	173
	<u>19,465</u>	<u>18,978</u>	<u>487</u>
<i>Board of Review:</i>			
Salaries	1,030	839	191
Expenses	250	165	85
	<u>1,280</u>	<u>1,004</u>	<u>276</u>
<i>Secretary:</i>			
Salary	17,900	17,687	213
Expenses	100	--	100
	<u>18,000</u>	<u>17,687</u>	<u>313</u>

See accompanying letter.



BERLIN TOWNSHIP**GENERAL FUND
DETAILS OF EXPENDITURES
(Continued)**

For the year ended March 31, 2005

	Budget	Actual	Variance Favorable (Unfav.)
GENERAL GOVERNMENT (Continued)			
<i>Treasurer:</i>			
Salary	\$ 14,000	\$ 14,000	\$ --
Expenses	1,000	414	586
Deputy Treasurer	4,465	2,481	1,984
	<u>19,465</u>	<u>16,895</u>	<u>2,570</u>
<i>General Administration:</i>			
Auditing and bookkeeping	1,000	860	140
Office supplies	3,000	2,080	920
Equipment	6,000	5,519	481
Telephone	2,500	2,222	278
Postage	2,500	2,866	(366)
Dues	2,200	2,294	(94)
Miscellaneous	5,100	7,481	(2,381)
Legal services	5,000	6,567	(1,567)
	<u>27,300</u>	<u>29,889</u>	<u>(2,589)</u>
<i>Township Hall:</i>			
Salary	2,500	1,599	901
Building maintenance and miscellaneous	8,850	5,851	2,999
Equipment purchases	7,000	1,500	5,500
	<u>18,350</u>	<u>8,950</u>	<u>9,400</u>
<i>Planning Commission:</i>			
Salary	3,360	2,544	816
Expenses	6,150	955	5,195
	<u>9,510</u>	<u>3,499</u>	<u>6,011</u>
<i>Printing, Publishing, and Dues</i>	<u>4,750</u>	<u>5,568</u>	<u>(818)</u>
<i>Dog Licenses</i>	<u>2,750</u>	<u>2,833</u>	<u>(83)</u>
<i>Zoning Board of Appeals</i>	850	985	(135)
TOTAL GENERAL GOVERNMENT	\$ <u>159,235</u>	\$ <u>144,862</u>	\$ <u>14,373</u>

See accompanying letter.



BERLIN TOWNSHIP**GENERAL FUND
DETAILS OF EXPENDITURES
(Continued)**

For the year ended March 31, 2005

	Budget	Actual	Variance Favorable (Unfav.)
CEMETERY OPERATIONS			
Contract labor	\$ 33,500	\$ 27,697	\$ 5,803
Expenses	7,000	3,310	3,690
TOTAL CEMETERY OPERATIONS	\$ 40,500	\$ 31,007	\$ 9,493
PUBLIC SAFETY			
Ordinance Enforcement:			
Salaries	\$ 2,440	\$ 2,004	\$ 436
Inspections:			
Building inspector	16,875	13,973	2,902
Plumbing inspector	6,750	4,870	1,880
Electrical inspector	7,500	7,106	394
Mechanical inspector	9,000	6,223	2,777
Inspection expenses	1,300	1,387	(87)
	41,425	33,559	7,866
TOTAL PUBLIC SAFETY	\$ 43,865	\$ 35,563	\$ 8,302
PUBLIC WORKS			
Drains	\$ 9,000	\$ 8,933	\$ 67
Cleaning	7,000	5,385	1,615
TOTAL PUBLIC WORKS	\$ 16,000	\$ 14,318	\$ 1,682
ROADS AND LIGHTING			
Roads	\$ 94,000	\$ 67,590	\$ 26,410
Lighting	6,500	5,968	532
TOTAL ROADS AND LIGHTING	\$ 100,500	\$ 73,558	\$ 26,942
CULTURAL AND RECREATIONAL			
Parks	\$ 26,120	\$ 20,608	\$ 5,512
Senior Center	13,700	11,473	2,227
TOTAL CULTURAL AND RECREATIONAL	\$ 39,820	\$ 32,081	\$ 7,739

See accompanying letter.



BERLIN TOWNSHIP

**GENERAL FUND
DETAILS OF EXPENDITURES
(Continued)**

For the year ended March 31, 2005

	Budget	Actual	Variance Favorable (Unfav.)
OTHER EXPENDITURES			
Special services	\$ 10,250	\$ 8,886	\$ 1,364
Insurance	18,000	15,464	2,536
Payroll taxes	5,500	6,474	(974)
TOTAL OTHER EXPENDITURES	\$ 33,750	\$ 30,824	\$ 2,926

See accompanying letter.



BERLIN TOWNSHIP**FIRE FUND****SCHEDULE OF REVENUES - BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended March 31, 2005

	Budget	Actual	Variance Favorable (Unfav.)
Revenues:			
Current tax collections	\$ 174,000	\$ 163,998	\$ (10,002)
Interest earned	--	782	782
Fire runs	--	1,000	1,000
Jerry Fetty memorial donations	--	1,365	1,365
Grant proceeds	20,712	20,712	--
Other revenue	--	3,143	3,143
TOTAL REVENUES	\$ 194,712	\$ 191,000	\$ (3,712)

See accompanying letter.



BERLIN TOWNSHIP**FIRE FUND****SCHEDULE OF EXPENDITURES - BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended March 31, 2005

	Budget	Actual	Variance Favorable (Unfav.)
<i>Salaries:</i>			
Runs	\$ 18,000	\$ 28,875	\$ (10,875)
Officers	21,400	20,547	853
Meetings	4,500	5,025	(525)
Fire Marshall and details	1,440	1,000	440
	<u>45,340</u>	<u>55,447</u>	<u>(10,107)</u>
<i>Office Expense:</i>			
Supplies	350	637	(287)
Computer	2,490	40	2,450
Fundraising	600	570	30
Office equipment	150	130	20
	<u>3,590</u>	<u>1,377</u>	<u>2,213</u>
<i>Education and Prevention:</i>			
Fire prevention	200	1,123	(923)
Training	1,035	1,223	(188)
Meetings	7,450	3,358	4,092
	<u>8,685</u>	<u>5,704</u>	<u>2,981</u>
<i>Medical:</i>			
Hepatitis shots	1,500	174	1,326
Physicals	1,050	3,775	(2,725)
	<u>2,550</u>	<u>3,949</u>	<u>(1,399)</u>
<i>Vehicle Purchase</i>	<u>5,000</u>	<u>6,100</u>	<u>(1,100)</u>
<i>Maintenance and Supplies:</i>			
Gas and oil	500	1,644	(1,144)
Vehicle	4,900	3,900	1,000
Building	7,114	5,341	1,773
Equipment	1,935	4,274	(2,339)
	<u>14,449</u>	<u>15,159</u>	<u>(710)</u>
<i>Transportation</i>	<u>200</u>	<u>56</u>	<u>144</u>
<i>Printing, Publishing, and Dues</i>	<u>500</u>	<u>150</u>	<u>350</u>

See accompanying letter.



BERLIN TOWNSHIP

FIRE FUND

SCHEDULE OF EXPENDITURES - BUDGET (GAAP BASIS) AND ACTUAL

(Continued)

For the year ended March 31, 2005

	Budget	Actual	Variance Favorable (Unfav.)
<i>Utilities:</i>			
Heat	\$ 3,150	\$ 2,548	\$ 602
Electricity	2,520	2,433	87
Telephone	1,992	1,209	783
Internet	450	750	(300)
	<u>8,112</u>	<u>6,940</u>	<u>1,172</u>
<i>Tax Refunds</i>	<u>200</u>	<u>--</u>	<u>200</u>
<i>New Equipment:</i>			
Uniforms	1,250	1,052	198
Air bottles	--	70	(70)
Gear	9,540	9,805	(265)
Medical supplies	--	32	(32)
	<u>10,790</u>	<u>10,959</u>	<u>(169)</u>
<i>Contractor Help/Runs</i>	<u>100</u>	<u>--</u>	<u>100</u>
<i>Run Expenses</i>	<u>50</u>	<u>--</u>	<u>50</u>
<i>Insurance:</i>			
Workers' compensation	1,800	1,564	236
Group death/disability	3,600	3,583	17
Liability	3,650	2,339	1,311
Vehicle	12,000	11,191	809
Property	--	2,011	(2,011)
	<u>21,050</u>	<u>20,688</u>	<u>362</u>
<i>Payroll Tax Expense</i>	<u>4,000</u>	<u>3,951</u>	<u>49</u>
<i>Capital Outlay</i>	<u>33,839</u>	<u>1,203</u>	<u>32,636</u>
<i>Legal Expense</i>	<u>100</u>	<u>--</u>	<u>100</u>
<i>Contingency</i>	<u>2,751</u>	<u>--</u>	<u>2,751</u>
TOTAL PUBLIC SAFETY	\$ <u>161,306</u>	\$ <u>131,683</u>	\$ <u>29,623</u>
<i>Debt Service:</i>			
Principal payments	\$ 26,792	\$ 13,214	\$ 13,578
Interest payments	12,055	13,680	(1,625)
TOTAL DEBT SERVICE	\$ <u>38,847</u>	\$ <u>26,894</u>	\$ <u>11,953</u>

See accompanying letter.

BERLIN TOWNSHIP

**SCHEDULE OF CODE ENFORCEMENT ALLOCATION
PURSUANT TO PUBLIC ACT 245 OF 1999**

For the year ended March 31, 2005

Code Enforcement Revenues:

Building	\$	18,991	
Electrical		9,519	
Plumbing		6,891	
Mechanical		8,869	\$ 44,270

Direct Code Enforcement Expenditures:

Building inspection fees	13,973	
Electrical inspection fees	7,106	
Plumbing inspection fees	4,870	
Mechanical inspection fees	6,223	
Miscellaneous inspection fees	1,387	(33,559)

Indirect Code Enforcement Expenditures:

Secretary wages	17,687
Office supplies	2,080
Postage	2,866
Telephone	2,222
Repairs and maintenance	2,613
Miscellaneous	1,434
Maintenance wages	1,599
Utilities	3,462
Health insurance	9,329
Benefits	1,353

Total Indirect Expenditures To Be Allocated

Allocation Percentage	44,645	
	33%	(14,733)

***NET EXCESS OF EXPENDITURES OVER REVENUES FOR
CODE ENFORCEMENT AT MARCH 31, 2005***

\$ (4,022)

See accompanying letter.





McBride, Manley & Miller P.C.

Certified Public Accountants

GLEN E. MCBRIDE, C.P.A.

PATRICIA A. MANLEY, C.P.A.

RICHARD L. MILLER, C.P.A., M.S.T.

May 5, 2005

Township Board
Berlin Township
13892 Hough Road
Allenton, Michigan 48002

Honorable Members:

We have examined the financial statements of Berlin Township for the year ended March 31, 2005, and have issued our report thereon dated May 5, 2005. Our examination included a study and evaluation of internal control to the extent we considered necessary in order to establish a basis for reliance on the accounting records. The following areas of internal accounting control could be improved, and we feel they warrant your consideration.

PERMITS

During our testing, we noted that permit revenues and refunds for overpayment on permit fees are not always posted to the proper account. It is important that permit revenues and refunds be posted to the correct account.

CASH DISBURSEMENTS

During our testing, we found an instance where the invoice amount did not agree to the amount disbursed. We recommend that greater care be taken in this area.

GENERAL FUND AND FIRE FUND

In the course of our examination, we noted the lack of account numbers on the Balance Sheet accounts in both the General Fund and the Fire Fund. The Township is required to follow the Michigan Uniform Chart of Accounts. We recommend the correct account numbers be assigned to all accounts.

FIRE FUND

During our examination, the Township was unable to produce the title to a vehicle purchased. All vehicles must be titled in the name of the Township. We recommend the Township obtain and retain titles to all vehicles.

GENERAL FUND

During our examination, we found that the activity in several cash accounts was reconciled by the Treasurer's office; however, the information was not conveyed to the Clerk's office for input into the general ledger. We recommend this information be communicated to the Clerk's office so that the general ledger cash accounts are current and accurate.

BOARD MINUTES

In the course of our examination, we were unable to verify the approval of specific bills at the Board meetings. We recommend that a list of bills approved for payment be included in the Board minutes on file.

ITEMS FROM PREVIOUS LETTER

PAYROLL

During our testing, we found instances where federal and state withholdings did not agree to W-4's on file. It is important that the Township keep current W-4's on file for each employee.

PURCHASING AND CASH DISBURSEMENTS

During our examination, we noted that invoices are not being checked for mathematical accuracy, and there was no evidence of receipt of the goods purchased. We suggest that all invoices be footed and extended to ensure there are not any miscalculations, and the Township is not overcharged for purchases. Also, when items are received, the date and the person's initials should be noted on the invoice (or shipping document, when applicable).

CONCLUSION

This report is intended solely for the information and use of the Board of Trustees, management, and others within the Township.

We feel the above recommendations will enhance the overall efficiency of the Township's recordkeeping system and provide stronger internal accounting control.

We would like to express our appreciation and thanks to the Supervisor, Clerk, Treasurer, their deputies, and office personnel for their cooperation and many courtesies extended to us during our examination. We will be available to discuss these recommendations in detail or to assist in their implementation.

Respectfully submitted,



McBRIDE, MANLEY & MILLER P.C.
Certified Public Accountants